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Panel on Commerce and Industry

Meeting on 15 December 2009

**Background brief on
Research and Development Cash Rebate Scheme**

Purpose

This paper provides background information on the introduction of Research and Development (R&D) Cash Rebate Scheme (the Scheme) and a summary of views and concerns raised by the Panel on Commerce and Industry (the Panel).

Background

2. Following the recommendations of the Task Force on Economic Challenges in June 2009 on further promoting innovation and technology in Hong Kong, the Administration undertook to explore actively the provision of financial and policy incentives to encourage more R&D investment in the private sector. On 14 October 2009, the Chief Executive announced in his 2009-2010 Policy Address that the Government would introduce the Scheme in 2010 to inculcate a research culture among enterprises and encourage them to establish long-term partnerships with local public research institutions.

3. Under the Scheme, the Government will provide a 10% cash rebate on the technological R&D investment by local companies. It covers all R&D projects under the Innovation and Technology Fund (ITF) and non-ITF R&D projects where enterprises partner with or engage local designated research institutions (including local universities, the R&D Centres under ITF and the Hong Kong Productivity Council) to undertake R&D work. The Government will set aside \$200 million for launching the Scheme in April 2010, subject to the approval of the Finance Committee. The Administration will conduct a review on the effectiveness of the Scheme after three years.

Discussion by the Panel on Commerce and Industry

4. At the policy briefing for the Panel on 20 October 2009, the Secretary for Commerce and Economic Development briefed members on the relevant initiatives, including the Scheme, under the 2009-2010 Policy Agenda. Panel members in general supported the Scheme and considered that it was an innovative initiative to encourage enterprises to increase their investment in R&D. Unlike tax rebate schemes, the Scheme obviated the need for enterprises to generate a profit before becoming eligible for the rebate. The Scheme would also provide more job opportunities for university graduates and expand the commercialization of R&D deliverables. Some Panel members suggested that the Administration should conduct a review on the effectiveness of the Scheme after one year instead of three years. The Administration accepted members' suggestion and agreed to monitor the operation of the Scheme on an annual basis.

Latest position

5. The Administration will brief the Panel on 15 December 2009 on the details of the Scheme and the funding proposal.

Relevant papers

Information paper provided by the Administration for the Commerce and Industry Panel meeting on 20 October 2009

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1020cb1-13-3-e.pdf>

Address by the Chief Executive at the Legislative Council meeting on 14 October 2009 - "Breaking New Ground Together"

<http://www.legco.gov.hk/yr09-10/english/panels/0910policy-e.pdf>

The 2009-2010 Policy Address - "Policy Agenda"

<http://www.legco.gov.hk/yr09-10/english/panels/0910agenda-e.pdf>

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